

NOTE 16 – LEGAL MATTERS, CONTINGENT LIABILITIES, AND OTHER COMMITMENTS**Primary Government**

There is no litigation or claim currently pending against King County in which to our knowledge the likelihood of an unfavorable outcome with material damages assessed against the County is considered "probable."

The following litigation, or potential litigation, may involve claims for material damages against King County for which the County is unable to provide an opinion as to the ultimate outcome or the amount of damages that may be found:

- A lawsuit against the County filed by a private transportation operator seeking damages in the amount of \$12.4 Million. Plaintiff claims that County transit service violates its rights, under a Certificate of Public Convenience and Necessity, to be sole provider of direct airporter service between downtown Seattle and Sea-Tac International Airport. Early summary judgment motions on liability have been denied.
- Claims for unspecified damages filed against King County by two sewer districts who allege that the County's sewage disposal rates are based on costs improperly incurred by the Wastewater Treatment Division. The County intends to vigorously defend the claim.
- An administrative order from the Environmental Protection Agency (EPA) requiring the County, the City of Seattle, the Boeing Company, and the Port of Seattle to conduct studies that will determine the nature and extent of the contamination in the Lower Duwamish Waterway. Potentially, upon completion of the studies, another administrative order may require remediation. At this stage the type of remediation that will be required, the timetable for complying, and the cost of remediation cannot reasonably be determined.
- A notification from the Washington State Department of Ecology (DOE) proposing that the County, the City of Seattle, and the Boeing Company may be required to help fund the investigation of a County airport property, currently leased to the Boeing Company, to determine the nature and extent of any hazardous waste, to develop a cleanup action plan, and to perform cleanup, if required. The site includes North Boeing Field and the Georgetown Steam Plant. The estimated cost of investigation and assessment is \$2.5 million which will be shared equally by the three named parties. The cost of the actual cleanup that may be required and the County's ultimate responsibility have yet to be determined.
- A complaint filed by the City of Seattle against the Boeing Company who in turn has named the County as a third-party defendant. The complaint seeks to recover remediation costs, under the Model Toxic Control Act, in the areas of North Boeing Field, Georgetown Steam Plant, and Slip 4. Through this litigation, it is likely that the County can recover some of the costs of investigating and remediating the Slip 4 area and performing the work in North Boeing Field/Georgetown Steam Plant. Recovery, however, may potentially be offset by the repayment of state grants and the cost of litigation.
- A potential requirement for additional cleanup in the area contaminated when the Denny Way combined sewer outflow was replaced in 2005. The Wastewater Treatment Division has already performed interim cleanup costing \$3.6 million to comply with an agreed order from the Washington State Department of Ecology but the federal agency has reserved its rights to require additional or different remedial actions. The County is unable to determine further amounts that Wastewater Treatment Division may be responsible for, if any.
- A complaint filed by the City of Seattle against a private company who in turn has named the County as a third-party defendant. The complaint seeks to recover remediation costs, under the Model Toxic Control Act, for the cleanup in an area along the Lower Duwamish

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Waterway that is now the site of Port of Seattle's Terminal 117. The original defendants allege that pollutants (PCBs and petroleum-based) were released during the 1960s when the County or its contractor allegedly transported and disposed of waste pavement materials from King County Airport onto the above referenced site. An additional claim alleges that the County released waste oil containing PCBs onto streets near the site as part of the County's maintenance of those streets. The County denies all claims.

- Potential claims for past and future cleanup costs at the Harbor Island Superfund Site. Certain removal costs already incurred by the Port of Seattle are expected to be defrayed by the County and the City of Seattle. The parties have also agreed to share the cost of a supplemental investigation and feasibility study required by the EPA. The agreement states that Wastewater Treatment Division has a one-third *pro rata* share of the study costs but this can still be reallocated among the several potentially responsible parties. Further remediation costs cannot be reasonably estimated until the studies are completed.
- A proposed class action lawsuit against the County where the plaintiff, representing similarly situated public defenders and their staff, allege that the County should have enrolled them in the State retirement system. The County is vigorously defending the action.

Contingent Liabilities

King County has entered into several contingent loan agreements totaling \$93.8 million with the King County Housing Authority (KCHA) and other owners/developers of affordable housing. The County has provided credit support for certain bonds issued by the KCHA. All projects are currently self-supporting and the County has not made any loans pursuant to these agreements.

Other Commitments

The Solid Waste Enterprise paid the County General Fund \$7.6 million for annual rent on the Cedar Hills landfill site in 2007. Solid Waste is committed to pay rent as long as the Cedar Hills site continues to accept waste.

Component Unit – Harborview Medical Center

Harborview Medical Center (HMC) is involved in litigation arising in the course of business. It is HMC management's opinion that these matters will be resolved without material adverse effect to HMC's future financial position or results of operations.

The current regulatory environment in the healthcare industry is one of increasing governmental activity with respect to investigations and allegations concerning possible violations of regulations by healthcare providers that could result in the imposition of significant fines and penalties, including substantial repayments of patient services previously billed. HMC believes that it complies with the fraud and abuse regulations, as well as with other laws and regulations. Compliance with such laws and regulations can be subject to future governmental review and interpretation and regulatory actions unknown or unasserted at this time.

HMC is operated by the University of Washington under a management and operations contract with King County. In this contract the University of Washington agrees to defend, indemnify, and "save harmless" King County, its elected and appointed officials, employees, and agents, from and against any damage, cost, claim, or liability arising out of the negligent acts or omissions of the University, its employees or agents, or arising out of the activities or operations of the medical center.